



Thrift Savings Plan for Military Members

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Warning Disclaimer

● Investments in the TSP:

- Are Not FDIC Insured
- Are not Guaranteed
- May Lose Value

Basic Information

- Retirement savings and investment plan
- Authorized for active duty members of all services, to include the Ready Reserve or National Guard of those services, Coast Guard, PHS, and NOAA
- New members will have 60 days after joining to enroll
- After initial enrollment period there will be two open seasons per year, each 60 days long, when members can enroll

Enrollment Period

Member may elect to contribute during any TSP Open Season

15 May - 30 June	1-31 July
15 November - 31 December	1-31 January

Enrollment Period

Election
Period

Elections made during an open season cannot be made effective before the last month of the open season

Contribution Limits

- Up to 9% of basic pay in any pay period
- 2004 deferral limit - \$13,000 (max)
- Any incentive pay, special pay, or bonus pay not to exceed the annual deferral limit (must elect basic pay contribution)

Contribution Sources

- Base Pay
- Special Pay
- Incentive Pay
- Bonus Payment(s)

Contribution Limits

- Increases each year through 2006:
 - 2003: 8%, \$12,000 max
 - 2004: 9%, \$13,000 max
 - 2005: 10% \$14,000 max
 - 2006: 100%, \$15,000 max
- Limit does not apply to tax exempt contributions
- Tax exempt and tax deferred contributions limited to the lesser of \$40,000 or 100% of total compensation

Matching Contributions

● Law allows individual Service Secretary to match contributions

- Based on first 5% of basic pay
- 4% maximum
 - \$1/\$1 for 1st 3%
 - 50¢/\$1 for next 2%
- Requires six years of active duty
- The Services will provide internal guidance on eligibility and six year service requirement

● The Marine Corps does not intend to implement matching funds

● The Marine Corps relies on SRBs to encourage retention and shape the force

Invest for the Long Term

(Gain from 1925 to 1999)

- Small-company stocks 12.6%
- Large-company stocks 11.3%
- Long-term corporate bonds 5.1%
- US Treasury bills 3.8%
- Inflation Averaged 3.1%

Securities

- Equity; ownership of company (e.g. stocks)
- Debt securities; loans to a company (e.g. bonds)

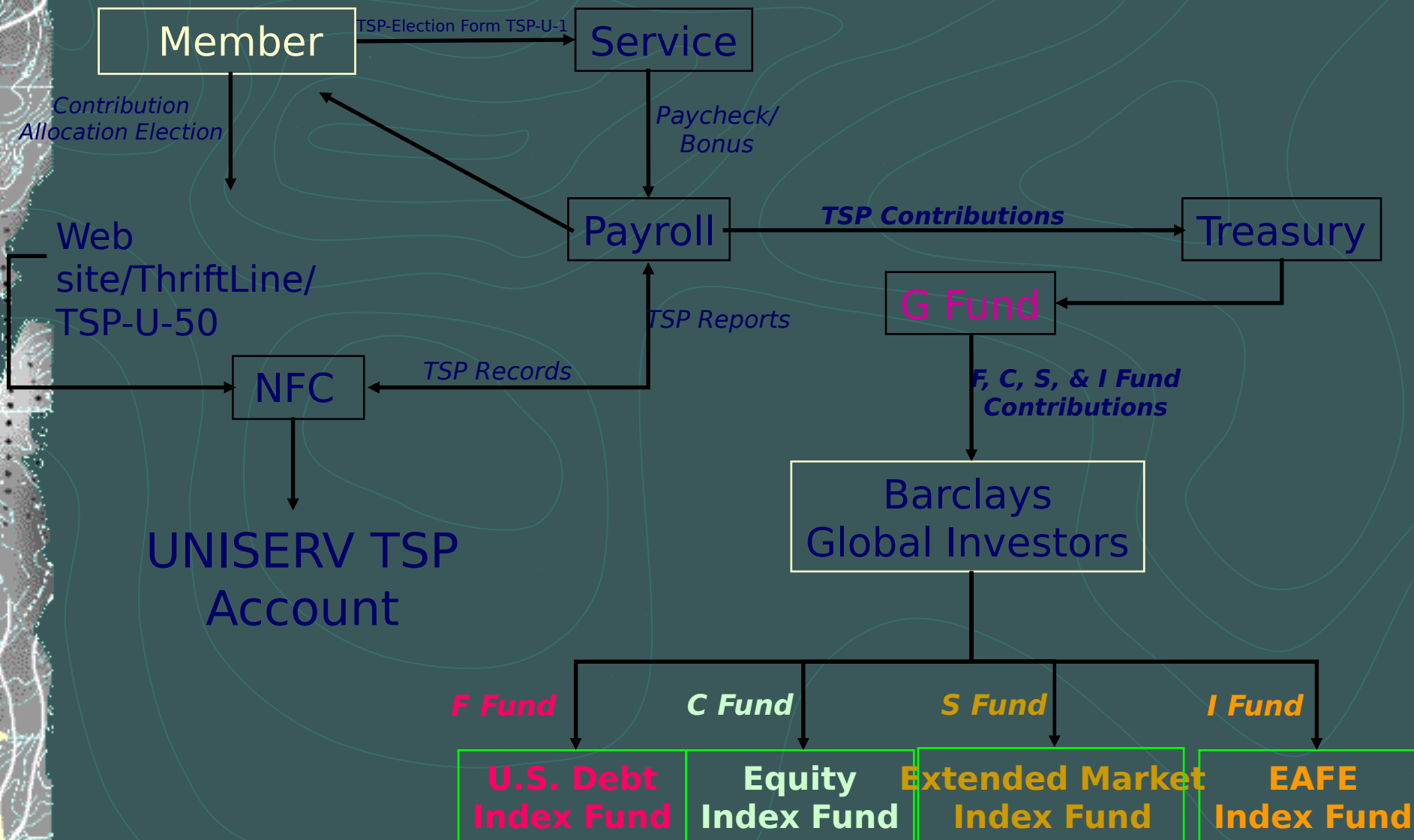
Investment Funds Choices

G Fund -	Government Securities
F Fund -	Fixed Income Index
C Fund -	Common Stock Index
S Fund -	Small Cap Stock Index
I Fund -	International Stock Index

Allocation of Contributions

- All contributions go to G fund unless allocation is made to a different fund
- Marine can designate fund allocation using the internet, phone, or in writing; remains in effect until changed
- Can make one inter-fund transfer per day, does not affect future contributions

How TSP Investments Are Made



Withdrawals & Stopping Deductions

- Age-based in-service withdrawals for participants who are 59 ½ or older
- Financial hardship in-service withdrawals for participants who can document financial hardship; no contributions can be made for six months after
- Upon separation:
 - Can leave balance in TSP
 - Rollover to an IRA
 - Receive lump sum payment
 - Receive a series of payments
- May be subject to an early withdrawal penalty of 10%

Penalties

- TSP long term savings plan
 - Provides special tax advantages
- Financial hardship withdrawal before 59 ½ results in early withdrawal penalty tax of 10%
 - Potential ordinary income tax liability

Rollovers

- Inter-service transfer
 - New service must continue contribution
- Federal civil employee covered by FERS, CSRS, or equivalent plan
 - TSP contribution election made within 60 days
- Rollover into TSP is allowable from qualified retirement plan or a conduit IRA

TSP a good program?

- Yes!
- Service members must take a look at their financial goals before electing TSP

Benefits of TSP

- Tax-deferred contributions
 - Pay less tax now
 - Taxes on contributions & attributable earnings are deferred
- Taking more money home monthly
- Lower federal tax
- Lower state tax (check with state)
- TSP will accrue earnings

Investment Planning

■ Four General Rules for Successful Investing

- Determine your objectives and time horizon
- Determine and accept your risk tolerance
- Diversify among investment categories
- Invest for the long term
 - Dollar-Cost Averaging

Common Investment Mistakes

- Not understanding your risk
- Believing get-rich-quick schemes
- Buying after major price increases
- Selling after major price declines
- Not asking questions
- Not being tolerant of market volatility
- Very little or no research

Additional Information

 www.tsp.gov

-  Click on links under the “Uniformed Services” section



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